

**CITY OF WESTLAKE, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JAN 18 2012**

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CITY OF WESTLAKE, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2011

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CITY OF WESTLAKE, LOUISIANA

June 30, 2011

MAYOR

The Honorable Daniel W. Cupit
Mr. Wally Anderson, Mayor Pro-Tempore

CITY COUNCIL

Mr. Wally Anderson
Mr. John Cradure
Mr. Robert Hardy

Mr. Daniel Racca
Ms. Lori Peterson

LEGAL COUNSEL

Mr. John Van Norman - City Attorney

CITY CLERK

Mrs. Andrea Mahfouz

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McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
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09442.000 Audit: 6/30/2011 1100.001 financial report

Robert M. Gani, CPA, MT
Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA

Michael N. McGee, CPA
David M. DesOrmeaux, CPA
Paula J. Thompson, CPA



Ottay J. Woods, Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Inactive
Barbara Hutson Gonzales, CPA, Retired
Judson J. McCann, Jr., CPA, Retired
Martin L. Chebetsky, CPA, CFE
Carl W. Comeaux, CPA, Retired
Gus W. Schram, III, CPA, CVA, Retired

CFE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS

Honorable Daniel W. Cupit, Mayor
and City Council Members
City of Westlake, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2011, on our consideration of the City of Westlake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City of Westlake, Louisiana's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and

other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms. Elroy Quirk & Burch

Lake Charles, Louisiana
December 29, 2011

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BASIC FINANCIAL STATEMENTS

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CITY OF WESTLAKE, LOUISIANA

STATEMENT OF NET ASSETS

June 30, 2011

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,486,907	\$ 819,595	\$ 3,306,502
Investments	3,482,471	2,009,831	5,492,302
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	150,970	142,984	293,954
Taxes	387,431	-	387,431
Special assessments	26,306	-	26,306
Inventories	-	58,383	58,383
Due from other funds	1,385,277	(1,385,277)	-
Prepaid insurance	181,524	107,393	288,917
Restricted assets:			
Cash and cash equivalents	-	226,650	226,650
Investments	234,173	246,030	480,203
Capital assets:			
Land, improvements and construction in progress	2,442,444	15,631,104	18,073,548
Other capital assets, net of depreciation	17,554,190	19,552,558	37,106,748
Total assets	<u>28,331,693</u>	<u>37,409,251</u>	<u>65,740,944</u>
<u>LIABILITIES</u>			
Accounts payable	569,394	74,010	643,404
Accrued payables	-	40,937	40,937
Interest payable	6,393	95,368	101,761
Payable from restricted assets:			
Customer deposits	-	205,969	205,969
Deferred income	18,965	-	18,965
Capital lease payable:			
Due within one year	63,971	29,279	93,250
Due in more than one year	136,481	89,611	226,092
Noncurrent liabilities:			
Due within one year	270,000	1,132,000	1,402,000
Due in more than one year	875,000	15,538,906	16,413,906
Total liabilities	<u>1,940,204</u>	<u>17,206,080</u>	<u>19,146,284</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	18,651,182	18,393,866	37,045,048
Restricted for:			
Capital projects	7,133,009	-	7,133,009
Debt service	228,826	-	228,826
Unrestricted	<u>378,472</u>	<u>1,809,305</u>	<u>2,187,777</u>
Total net assets	<u>\$ 26,391,489</u>	<u>\$ 20,203,171</u>	<u>\$ 46,594,660</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Government activities:				
General government	\$ 1,255,373	\$ 207,450	\$ 1,782,114	\$ -
Public safety:				
Police	1,661,362	193,261	63,796	-
Fire	1,583,990	-	588,465	-
Highway and streets	1,003,720	40,310	64,294	-
Sanitation	380,435	389,576	-	670,840
Cemeteries	12,030	-	4,017	-
Post office	14,609	75,708	-	-
Total governmental activities	<u>5,911,519</u>	<u>906,305</u>	<u>2,502,686</u>	<u>670,840</u>
Business-type activities:				
Gas utility	1,611,701	1,648,051	-	-
Water utility	1,598,907	488,265	-	-
Sewer and sanitation	707,952	668,871	-	-
Golf course	2,574,224	1,064,542	-	-
Real estate development	15,569	211,908	-	-
Total business-type activities	<u>6,508,353</u>	<u>4,081,637</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 12,419,872</u>	<u>\$ 4,987,942</u>	<u>\$ 2,502,686</u>	<u>\$ 670,840</u>

General revenues:

Tax revenue

Investment income

Miscellaneous income

Distribution - gaming industry

Transfers

Total general revenues
and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to financial statements

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ 734,191	\$ -	\$ 734,191
(1,404,305)	-	(1,404,305)
(995,525)	-	(995,525)
(899,116)	-	(899,116)
679,981	-	679,981
(8,013)	-	(8,013)
61,099	-	61,099
<u>(1,831,688)</u>	<u>-</u>	<u>(1,831,688)</u>
-	36,350	36,350
-	(1,110,642)	(1,110,642)
-	(39,081)	(39,081)
-	(1,509,682)	(1,509,682)
-	196,339	196,339
-	<u>(2,426,716)</u>	<u>(2,426,716)</u>
<u>(1,831,688)</u>	<u>(2,426,716)</u>	<u>(4,258,404)</u>
2,179,450	269,733	2,449,183
12,518	12,423	24,941
511,395	20,003	531,398
1,824,812	-	1,824,812
<u>(2,601,867)</u>	<u>2,601,867</u>	<u>-</u>
<u>1,926,308</u>	<u>2,904,026</u>	<u>4,830,334</u>
94,620	477,310	571,930
<u>26,296,869</u>	<u>19,725,861</u>	<u>46,022,730</u>
<u>\$ 26,391,489</u>	<u>\$ 20,203,171</u>	<u>\$ 46,594,660</u>

CITY OF WESTLAKE, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

		Debt	Capital	Total
	General	Service	Projects	Governmental
ASSETS				Funds
Cash and cash equivalents	\$ 73,456	\$ 216,913	\$ 2,196,539	\$ 2,486,908
Investments	1,282,306	-	2,200,165	3,482,471
Receivables (net, where applicable, of allowance for uncollectibles):				
Accounts receivable	149,519	-	-	149,519
Taxes receivable	-	-	387,431	387,431
Special assessments receivable	-	26,306	-	26,306
Prepaid expenses	1,451	-	-	1,451
Due from other funds	10,269	-	2,367,839	2,378,108
Restricted assets:				
Investments	234,173	-	-	234,173
Total assets	<u>\$ 1,751,174</u>	<u>\$ 243,219</u>	<u>\$ 7,151,974</u>	<u>\$ 9,146,367</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 569,394	\$ -	\$ -	\$ 569,394
Interest payable	-	6,393	-	6,393
Deferred income	-	-	18,965	18,965
Due to other funds	984,832	8,000	-	992,832
Total liabilities	1,554,226	14,393	18,965	1,587,584
Fund balances, unreserved:				
Restricted for:				
Debt service	-	228,826	-	228,826
Capital projects	-	-	7,133,009	7,133,009
Unassigned	196,948	-	-	196,948
Total fund balance	196,948	228,826	7,133,009	7,558,783
Total liabilities and fund balances	<u>\$ 1,751,174</u>	<u>\$ 243,219</u>	<u>\$ 7,151,974</u>	<u>\$ 9,146,367</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

Total fund balance - total governmental funds		<u>\$ 7,558,783</u>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet		19,996,634
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		181,524
Capital lease liabilities are not due and payable in current period and, therefore, they are not reported in the governmental funds balance sheet:		
Due within one year	\$ (63,971)	
Due in more than one year	<u>(136,481)</u>	(200,452)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:		
Due within one year	\$ (270,000)	
Due in more than one year	<u>(875,000)</u>	<u>(1,145,000)</u>
Net assets of governmental activities		<u>\$ 26,391,489</u>

See accompanying notes to financial statements.

CITY OF WESTLAKE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2011

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues:				
Taxes and special assessments	\$ 1,407,624	\$ -	\$ 771,827	\$ 2,179,451
Licenses and permits	236,814	-	-	236,814
Intergovernmental	538,465	-	-	538,465
Charges for services	399,161	-	-	399,161
Fines and forfeits	191,885	-	-	191,885
Investment income	(31,191)	1,144	42,567	12,520
Miscellaneous income	511,416	-	-	511,416
Bingo revenues	2,738	-	-	2,738
Grant proceeds	1,893,411	-	735,134	2,628,545
Donations	6,517	-	-	6,517
Post office lease	75,708	-	-	75,708
Distribution - gaming industry	-	-	1,824,812	1,824,812
Total revenues	<u>5,232,548</u>	<u>1,144</u>	<u>3,374,340</u>	<u>8,608,032</u>
Expenditures:				
Current:				
General government	1,074,749	(116)	2,717	1,077,350
Police	1,516,314	-	-	1,516,314
Fire	1,461,520	-	-	1,461,520
Streets	448,576	-	43,134	491,710
Sanitation	379,687	-	-	379,687
Cemeteries	11,822	-	-	11,822
Civil defense	8,613	-	-	8,613
Post office	12,826	-	-	12,826
Capital outlay	744,596	-	22,970	767,566
Debt service:				
Principal retirement	-	260,000	-	260,000
Administrative costs	1,042	41,317	-	42,359
Total expenditures	<u>5,659,745</u>	<u>301,201</u>	<u>68,821</u>	<u>6,029,767</u>
Excess (deficiency) of revenues over expenditures	(427,197)	(300,057)	3,305,519	2,578,265
Other financing sources (uses):				
Operating transfers in (out)	<u>603,272</u>	<u>307,772</u>	<u>(3,512,911)</u>	<u>(2,601,867)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	176,075	7,715	(207,392)	(23,602)
Fund balance at beginning of year	<u>20,873</u>	<u>221,111</u>	<u>7,340,401</u>	<u>7,582,385</u>
Fund balance at end of year	<u>\$ 196,948</u>	<u>\$ 228,826</u>	<u>\$ 7,133,009</u>	<u>\$ 7,558,783</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (23,602)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the government-wide statement of activities
and changes in net assets, the cost of those assets is
allocated over their estimated useful lives and reported
as depreciation expense. This is the amount of capital
assets recorded in the current period.

767,566

Depreciation expense on capital assets is reported in the
government-wide statement of activities and changes in
net assets, but they do not require the use of current
financial resources. Therefore, depreciation expense
is not reported as expenditure in governmental funds.

(716,505)

The issuance of long-term debt provides current financial
resources to governmental funds, while the repayment of
the principal of long-term debt consumes the current
financial resources of governmental funds. Neither
transaction, however, has any effect on net assets.
This amount is the net effect of these differences in
the treatment of long-term debt and related items, net
of proceeds

59,547

Some expenses reported in the statement of activities
do not require the use of current financial resources;
therefore, are not reported as expenditures in
governmental funds.

7,614

Change in net assets of governmental activities

\$ 94,620

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA
PROPRIETARY FUNDS

STATEMENT OF NET ASSETS
Year Ended June 30, 2011

<u>ASSETS</u>	<u>Gas Utility</u>	<u>Water and Sewer</u>	<u>Golf Course and Real Estate Development</u>	<u>Total Proprietary Funds</u>
Cash and cash equivalents	\$ 33,865	\$ 129,100	\$ 656,630	\$ 819,595
Investments	157,193	1,852,638	-	2,009,831
Receivables (net, where applicable of allowance for uncollectibles):				
Accounts receivable	47,418	95,566	-	142,984
Inventories	11,408	23,264	23,710	58,382
Prepaid insurance	31,230	59,686	16,477	107,393
Restricted assets:				
Cash and cash equivalents	166,518	60,132	-	226,650
Investments	230,250	15,780	-	246,030
Due from other funds	211,379	39,271	-	250,650
Land and improvements	5,639	3,285,847	12,339,618	15,631,104
Capital assets, net of depreciation	<u>1,387,528</u>	<u>11,952,183</u>	<u>6,212,847</u>	<u>19,552,558</u>
Total assets	<u>2,282,428</u>	<u>17,513,467</u>	<u>19,249,282</u>	<u>39,045,177</u>
 <u>LIABILITIES</u>				
Accounts payable	87	54,756	19,166	74,009
Accrued payables	-	-	40,937	40,937
Interest payable	-	16,163	79,205	95,368
Security deposits payable	156,988	48,981	-	205,969
Due to other funds	516,000	1,119,927	-	1,635,927
Capital lease payable:				
Due within one year	10,802	9,253	9,224	29,279
Due in more than one year	38,151	32,684	18,776	89,611
Noncurrent liabilities:				
Due within one year	-	237,000	895,000	1,132,000
Due in more than one year	-	4,523,906	11,015,000	15,538,906
Total liabilities	<u>722,028</u>	<u>6,042,670</u>	<u>12,077,308</u>	<u>18,842,006</u>
 <u>NET ASSETS</u>				
Investment in capital assets, net of related debt	1,393,167	10,477,124	6,642,465	18,512,756
Net assets, unrestricted	<u>157,233</u>	<u>993,673</u>	<u>529,509</u>	<u>1,690,415</u>
Total net assets	<u>\$ 1,550,400</u>	<u>\$ 11,470,797</u>	<u>\$ 7,171,974</u>	<u>\$ 20,203,171</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA
PROPRIETARY FUNDS

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

	Gas Utility	Water and Sewer	Golf Course and Real Estate Development	Total Proprietary Funds
Operating revenues:				
Charges for utility services	\$ 1,637,630	\$ 1,134,535	\$ -	\$ 2,772,165
Charges for golf course	-	-	1,064,542	1,064,542
Real estate sales	-	-	211,908	211,908
Tap fees	10,421	22,600	-	33,021
	<u>1,648,051</u>	<u>1,157,135</u>	<u>1,276,450</u>	<u>4,081,636</u>
Operating expenses:				
Personnel services	500,296	416,517	526,978	1,443,791
Contractual services	6,149	6,149	106,503	118,801
Supplies	109,816	129,161	597,213	836,190
Other services and charges	177,071	447,287	267,760	592,118
Heat, light and power	8,260	102,510	49,010	159,780
Natural gas for resale	734,587	-	-	734,587
Sewage usage expense	-	466,222	-	466,222
Lot sale costs	-	-	15,569	15,569
Depreciation and amortization	75,522	588,807	559,297	1,223,626
Total operating expenses	<u>1,611,701</u>	<u>2,156,653</u>	<u>2,122,330</u>	<u>5,890,684</u>
Operating income (loss)	<u>36,350</u>	<u>(999,518)</u>	<u>(845,880)</u>	<u>(1,809,048)</u>
Nonoperating revenues (expenses):				
Tax revenue	-	269,733	-	269,733
Investment income	4,136	7,607	681	12,424
Miscellaneous income	7,411	-	12,593	20,004
Interest expense	-	(150,163)	(467,464)	(617,627)
Miscellaneous expense	-	(43)	-	(43)
Total nonoperating revenues (expenses)	<u>11,547</u>	<u>127,134</u>	<u>(454,190)</u>	<u>(315,509)</u>
Income (loss) before contributions and transfers	<u>47,897</u>	<u>(872,384)</u>	<u>(1,300,070)</u>	<u>(2,124,557)</u>
Capital contributions and transfers:				
Operating transfers in (out)	<u>120,468</u>	<u>1,211,092</u>	<u>1,270,307</u>	<u>2,601,867</u>
Net income (loss)	<u>168,365</u>	<u>338,708</u>	<u>(29,763)</u>	<u>477,310</u>
Net assets at beginning of year	<u>1,392,035</u>	<u>11,132,089</u>	<u>7,201,737</u>	<u>19,725,861</u>
Net assets at end of year	<u>\$ 1,560,400</u>	<u>\$ 11,470,797</u>	<u>\$ 7,171,974</u>	<u>\$ 20,203,171</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

	Gas Utility	Water and Sewer	Golf Course and Real Estate Development	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,628,295	\$ 1,138,954	\$ 1,277,088	\$ 4,044,337
Cash payments to suppliers for goods and services	(1,016,161)	(1,107,739)	(1,060,439)	(3,184,339)
Cash payments to employees for services	(500,296)	(416,517)	(526,978)	(1,443,791)
Net cash provided by (used in) operating activities	111,838	(385,302)	(310,329)	(583,793)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Tax revenue	-	269,733	-	269,733
Tap fees	10,421	22,600	-	33,021
Miscellaneous income	7,412	(42)	12,593	19,963
Operating transfers in	120,468	1,211,092	1,270,307	2,601,867
Change in due to/from	(188,346)	1,085,754	-	897,408
Net cash provided by (used in) noncapital financing activities	(50,045)	2,589,137	1,282,900	3,821,992
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of fixed assets	(233,990)	(1,739,421)	(40,755)	(2,014,166)
Capital lease	48,953	41,937	-	90,890
Principal retirement	-	611,925	(898,531)	(286,606)
Interest expense	-	(150,163)	(467,464)	(617,627)
Net cash (used in) capital and related financing activities	(185,037)	(1,235,722)	(1,406,750)	(2,827,509)
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in investments (net)	50,344	(999,555)	681	(948,530)
Net increase (decrease) in cash and cash equivalents	(72,900)	(31,442)	(433,498)	(537,840)
Cash and cash equivalents:				
Beginning of year	273,283	220,674	1,090,128	1,584,085
End of year	\$ 200,383	\$ 189,232	\$ 656,630	\$ 1,046,245

(continued on next page)

CITY OF WESTLAKE, LOUISIANA
PROPRIETARY FUND - WATER UTILITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2011
(Continued)

	Gas Utility	Water and Sewer	Golf Course	Total Proprietary Funds
Cash and cash equivalents at end of year consisted of:				
Unrestricted cash	\$ 33,865	\$ 129,100	\$ 656,630	\$ 819,595
Restricted cash	166,518	60,132	-	226,650
	<u>\$ 200,383</u>	<u>\$ 189,232</u>	<u>\$ 656,630</u>	<u>\$ 1,046,245</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 25,929	\$ (1,022,118)	\$ (824,673)	\$ (1,820,862)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	75,522	588,807	559,297	1,223,626
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable and other receivables	(9,335)	4,419	638	(4,278)
(Increase) decrease in inventories	8,988	(1,890)	8,730	15,828
(Increase) decrease in prepaid expenses	4,519	(1,609)	(9,166)	(6,256)
Increase (decrease) in accounts payable and other payables	88	46,200	(38,327)	7,961
Increase in customer deposits	6,127	1,745	-	7,872
(Decrease) in interest payable	-	(856)	(6,828)	(7,684)
Net cash provided by (used in) operating activities	<u>\$ 111,838</u>	<u>\$ (385,302)</u>	<u>\$ (310,329)</u>	<u>\$ (583,793)</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES				
Water plant improvements and water line extensions transferred from Capital Projects Fund	<u>\$ -</u>	<u>\$ 1,624,383</u>	<u>\$ 36,290</u>	<u>\$ 1,660,673</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1) Summary of Significant Accounting Policies

The City of Westlake, Louisiana, was incorporated on December 1, 1945, under the provisions of the Lawrason Act. The City operates a Mayor-City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, recreation, public improvements, and general administrative services.

The accounting and reporting policies of the City of Westlake conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The City of Westlake has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and Board of Aldermen of the City of Westlake, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement

No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the City of Westlake has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the City of Westlake.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The Statement of Net Assets and the Statement of Activities report financial information for the City as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into four generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Also included is the repayment of special assessment debt and the support provided through special assessment taxes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary funds, also in the fund financial statements, are accounted for and reported using a flow of economic resources measurement focus and the accrued basis of accounting. The economic resource measurement focus means that all assets and liabilities are included on the statement of net assets and operating statements present increases and decreases in net total assets. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 15, the Accountant submits to the Mayor and City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain comments from the public.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.

4. Amendments to the budget are approved by the City Council by a formal adoption of an ordinance.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
7. All budgetary appropriations lapse at the end of each fiscal year.
8. Budgetary amendments involving increases in expenditures resulting from revenues exceeding expenditures requires the approval of the City Council.
9. The budget and actual comparison presented in Exhibit C in the accompanying financial report includes the General Fund and Special Revenue Funds. The capital budget ordinances that encompass the Capital Projects Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds.
10. The City Charter provides that expenditures cannot legally exceed appropriations within any fund of the City.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and certificates of deposit. The City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost.

Louisiana State Statutes, as stipulated in R.S. 39:1271 authorize the City to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. These investments are stated at cost.

The City has stated all other investments, not included above, at fair value as of June 30, 2011, in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value was determined by obtaining "quoted" year end market prices.

F. Allowance for Uncollectibles

Uncollectible amounts due for ad valorem taxes, customers' utility receivables, and special assessments are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. This method does not result in a charge to bad debts that are materially different from the amount that would be charged if the reserve method were used.

G. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. General Fund inventories are accounted for under the consumption method where expenditures are recorded when the goods are used.

H. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

I. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

J. Restricted Assets

These assets consist of cash and investments restricted for various purposes as detailed in Note 5.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Assets capitalized have an original cost of \$1,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Production and distribution system	20-50 years
Buildings	20 years
Improvements other than buildings	20-50 years
Machinery and equipment	5-10 years
Data processing equipment	5-10 years
Infrastructure	5-40 years

L. Restricted Net Assets

The City records reserves to indicate that a portion is legally segregated for a specific future use.

M. Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of fiscal year end.

Nonexchange transactions, in which the City receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Nonoperating revenues and expenses include all those related to capital and related financing, noncapital financing, or investing activities.

N. Accumulated Unpaid Sick Pay

Accumulated unpaid sick pay was not considered material at June 30, 2011 and is not reflected in these financial statements.

2) Cash and Cash Equivalents

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or any Louisiana parish, municipality, or school district. The City's bank and demand and time deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the City's name.

3) Investments

Louisiana state statutes authorize the City to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, investment as stipulated in R.S. 39:1271, or any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

As of June 30, 2011, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Money funds and CD's	\$ 2,092,634	\$ 2,092,634	\$ -	\$ -	\$ -
LAMP	1,259,295	1,259,295	-	-	-
United States Treasury	189,687	-	-	-	189,687
Mortgage backed securities	2,430,889	16	11,238	166,296	2,253,339
Total	\$ 5,972,505	\$ 3,351,945	\$ 11,238	\$ 166,296	\$ 2,443,026

Interest rate risk. The City's investment policy does not address interest rate risk.

Credit risk. In accordance with state law, the City limits investments to the following:

1. Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. government.
2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the U.S., including (but not limited to) U.S. Export Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, Government National Mortgage Association (guaranteed mortgage-backed bonds and guaranteed pass-through obligations), U.S. Maritime Administration (guaranteed Title XI financing), and U.S. Department of Housing and Urban Development.

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities, which are federally sponsored, including (but not limited to) Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Resolution Funding Corporation.
4. Direct security repurchase agreements of any federal bank entry only securities enumerated above.
5. Time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, or share accounts and share certificates accounts of federally or state chartered credit unions issuing time certificates of deposit; provided that the rate of interest paid for time certificates of deposit shall be not less than fifty basis points below the prevailing market interest rate on direct obligations of the U.S. Treasury with a similar length of maturity.
6. Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies.

As of June 30, 2011, all of the City's investments were held according to policy.

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investments held at June 30, 2011, consist of \$1,259,294 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations

in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designated to be highly liquid to give its participants immediate access to their account balances.

The City had unrealized losses on certain investments at June 30, 2011 in the amount of \$62,355. The City plans to hold all investments until maturity.

4) Interfund Fund Transactions

Interfund receivables and payables were as follows at June 30, 2011:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 10,269	\$ 984,831
Debt Service	-	8,000
Capital Projects	2,367,839	-
Gas utility	211,379	516,000
Water and sewer	39,271	1,119,927
	<u>\$ 2,628,758</u>	<u>\$ 2,628,758</u>

Operating transfers as of June 30, 2011 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 709,147	\$ 105,875
Debt service	307,772	-
Capital projects	1,001,925	4,514,836
Gas utility	150,468	30,000
Water and sewer	1,476,996	265,904
Golf course	1,270,307	-
	<u>\$ 4,916,615</u>	<u>\$ 4,916,615</u>

5) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2011:

Customer deposits \$ 205,969

6) Changes in Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,251,691	\$ -	\$ -	\$ 2,251,691
Construction in progress	<u>174,995</u>	<u>15,758</u>	<u>-</u>	<u>190,753</u>
Total capital assets not being depreciated	<u>2,426,686</u>	<u>15,758</u>	<u>-</u>	<u>2,442,444</u>
Capital assets being depreciated:				
Buildings	3,533,851	148,225	-	3,682,076
Furniture and equipment	1,183,682	276,340	-	1,460,022
Vehicles	2,313,880	327,243	-	2,641,123
Infrastructure	<u>15,948,731</u>	<u>-</u>	<u>-</u>	<u>15,948,731</u>
Total capital assets being depreciated	<u>22,980,144</u>	<u>751,808</u>	<u>-</u>	<u>23,731,952</u>
Less accumulated depreciation for:				
Buildings	1,480,832	85,329	-	1,566,161
Furniture and equipment	893,642	79,601	-	973,243
Vehicles	1,290,835	152,857	-	1,443,692
Infrastructure	<u>1,795,948</u>	<u>398,718</u>	<u>-</u>	<u>2,194,666</u>
Total accumulated depreciation	<u>5,461,257</u>	<u>716,505</u>	<u>-</u>	<u>6,177,762</u>
Government activities capital assets, net	<u>\$19,945,573</u>	<u>\$ 51,061</u>	<u>\$ -</u>	<u>\$19,996,634</u>

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$12,652,328	\$ -	\$ 11,569	\$12,640,759
Construction in progress	<u>1,425,972</u>	<u>1,564,373</u>	<u>-</u>	<u>2,990,345</u>
Total capital assets not being depreciated	<u>14,078,300</u>	<u>1,564,373</u>	<u>11,569</u>	<u>15,631,104</u>
Capital assets being depreciated:				
Production systems	27,627,792	307,665	-	27,935,457
Buildings	1,411,467	-	-	1,411,467
Machinery and equipment	3,326,642	32,763	-	3,359,405
Vehicles	410,418	104,900	-	515,318
Bond costs	<u>169,924</u>	<u>4,465</u>	<u>-</u>	<u>174,389</u>
Total capital assets being depreciated	<u>32,946,243</u>	<u>449,793</u>	<u>-</u>	<u>33,396,036</u>
Less accumulated depreciation for:				
Production systems	10,916,239	752,158	-	11,668,397
Buildings	191,195	87,104	-	278,299
Machinery and equipment	1,154,095	344,660	-	1,498,755
Vehicles	358,323	28,078	-	386,401
Bond costs	<u>-</u>	<u>11,626</u>	<u>-</u>	<u>11,626</u>
Total accumulated depreciation	<u>12,619,852</u>	<u>1,223,626</u>	<u>-</u>	<u>13,843,478</u>
Business-type activities capital assets, net	<u>\$34,404,691</u>	<u>\$ 790,540</u>	<u>\$ 11,569</u>	<u>\$35,183,662</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 100,495
Public safety:	
Police	78,719
Fire	102,141
Highway and streets	433,970
Post office	<u>1,180</u>
Total depreciation	<u>\$ 716,505</u>

7) Leases

Operating leases:

The City leases various golf course equipment and golf course buildings under operating leases expiring in various terms through the year ended June 30, 2013.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of 1 year as of June 30, 2011 for each of the next 5 years and in the aggregate are:

<u>Year Ended June 30,</u>	<u>Amount</u>
2012	\$ 144,364
2013	121,721
2014	-
2015	-
2016	-
Subsequent to 2016	-
	<u>\$ 266,085</u>

Total minimum lease payments do not include contingent rentals that may be paid under certain leases of golf course equipment, because of use in excess of specified amounts. Contingent rental payments for the year ended June 30, 2011 were \$-0-.

Capital leases:

The City has financing leases for equipment that qualify as capital leases. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of the assets under capital lease is included in depreciation expense for the year ended June 30, 2011.

The following is a summary of property held under capital lease at June 30, 2011:

Golf course equipment	\$ 42,598
Vehicles and equipment	<u>359,000</u>
	401,598
Less accumulated amortization	<u>68,814</u>
	<u>\$ 332,784</u>

The following is a summary of long-term liability under capital lease at June 30, 2011:

Long-term lease payable to National City Commercial Capital Company, LLC net of prepaid interest at 6.10% of \$836, payable in monthly installments of \$330 each, due February 4, 2014. Lease is secured by equipment under the lease.	\$ 9,719
Long-term lease payable to John Deere Credit net of prepaid interest at 6.12% of \$522 payable in monthly installments of \$869 each, due September 1, 2013. Lease is secured by equipment under the lease.	4,387
Long-term lease payable to John Deere Credit net of prepaid interest at 10.25% of \$1,178 payable in monthly installments of \$414 each, due February 1, 2013. Lease is secured by equipment under the lease.	9,880
Long-term lease payable to John Deere Credit net of prepaid interest at 7.75% of \$331 payable in monthly installments of \$2,176 each, due February 1, 2013. Lease is secured by equipment under the lease.	4,014
Long-term lease payable to Chase Equipment Finance, Inc. at 3.75% payable in monthly installments of \$4,557.68 each, due August 18, 2015. Lease is secured by equipment under the lease.	210,669
Long-term lease payable to Chase Equipment Finance Inc. at 3.75% payable in monthly installments of \$3,235.42 each, due August 18, 2013. Lease is secured by equipment under the lease.	80,673
	<u>319,342</u>
Less current liability under capital lease	<u>93,250</u>
	<u>\$ 226,092</u>

The following is a schedule of the future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments as of June 30, 2011:

Year ending June 30,

2012	\$ 104,319
2013	104,319
2014	69,198
2015	55,921
2016	<u>9,115</u>
Total minimum lease payments	342,872
Less amount representing interest	<u>23,530</u>

Present value of net minimum lease
payments of which \$93,250 is
included in current liabilities \$ 319,342

The City is responsible for payment of insurance, taxes, repairs and maintenance under these financing leases.

8) Long-Term Debt

Long-term debt is comprised of the following:

\$2,585,000 2004 general series bonds due in annual installments varying in amounts through November 1, 2014; interest at 3.35%	<u>\$ 1,145,000</u>
\$3,739,906 2003 Series DEQ loan revenue bond due in semi-annual installments varying in amounts through November 1, 2024; interest at 3.45%	<u>\$ 2,810,906</u>
\$5,000,000 2009 excess revenue bond due in annual installments varying in amounts through May 1, 2019; interest at 3.45%	<u>\$ 4,515,000</u>
\$7,800,000 2010 Series revenue bond refunding bonds due in annual installments varying in amounts through April 1, 2025; interest at 4.32%	<u>\$ 7,395,000</u>
\$2,030,000 Series 2010 B revenue bonds due in annual installments varying in amounts through January 1, 2030; interest at 2.95%. Proceeds recorded through June 30, 2011 of \$2,030,000	<u>\$ 1,950,000</u>

Debt service requirements on bonds at June 30, 2011 were as follows:

Governmental activities:

Year Ended June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 270,000	\$ 33,835	\$ 1,132,000	\$ 627,407
2013	280,000	24,623	1,170,000	585,223
2014	295,000	14,991	1,218,000	541,608
2015	300,000	5,025	1,267,000	496,155
2016	-	-	1,311,000	448,848
2017-2021	-	-	6,007,000	1,492,948
2022-2026	-	-	4,078,906	473,190
2027-2031	-	-	487,000	36,374
	<u>\$ 1,145,000</u>	<u>\$ 78,474</u>	<u>\$16,670,906</u>	<u>\$ 4,701,753</u>

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within
					One Year
Governmental activities:					
Certificates of indebtedness:					
Series 2004	\$ 1,405,000	\$ -	\$ 260,000	\$ 1,145,000	\$ 270,000
Capital leases	-	254,100	53,648	200,452	63,971
	<u>\$ 1,405,000</u>	<u>\$ 254,100</u>	<u>\$ 313,648</u>	<u>\$ 1,345,452</u>	<u>\$ 333,971</u>
Business-type activities:					
Certificates of indebtedness:					
Series 2003	\$ 2,959,906	\$ -	\$ 149,000	\$ 2,810,906	\$ 155,000
Series 2009	5,000,000	-	485,000	4,515,000	500,000
Series 2010	7,800,000	-	405,000	7,395,000	395,000
Series 2010B	1,189,075	840,925	80,000	1,950,000	82,000
Total bonds payable	16,948,981	840,925	1,119,000	16,670,906	1,132,000
Capital leases	36,530	104,900	22,540	118,890	29,279
	<u>\$16,985,511</u>	<u>\$ 945,825</u>	<u>\$ 1,141,540</u>	<u>\$16,789,796</u>	<u>\$1,161,279</u>

9) Capital Project Fund

The capital project fund is being used to account for the construction of improvements to the municipal waterworks system and various streets within the City. Financing for the improvements is being provided by the renewal of a one cent sales tax. The work will entail water line relocation and the replacement of shell and asphalt streets with concrete. Additional capital projects include acquisition and development of North Westlake and Olin properties that are partly funded by general obligation debt (original issue \$2,585,000; current outstanding \$1,145,000).

10) Property Tax

Taxes are levied on June 1, billed on November 1, and payable by December 31. The Calcasieu Parish Sheriff's office collects the City's property taxes. City property tax revenues are recognized when billed to the extent that they result in current receivables. Unpaid taxes are delinquent by January 1st. Sale of delinquent properties is held once a year.

The total millage is 6.40 divided as follows:

	<u>Millage</u>	<u>Tax Collected</u>
General purpose tax	6.40	\$ 147,740

11) Delinquent Assessments

The City is contingently liable for amounts shown as delinquent assessment receivables. The total amount delinquent for the fiscal year ended June 30, 2011 was \$2,923.

12) Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the City Council) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

13) Dedication of Proceeds and Flow of Funds - Sales and Use Taxes

Proceeds of a perpetual one percent sales and use tax that was first levied on July 1, 1990 by the City of Westlake are collectible by the Sales Tax Fund, are legally dedicated for municipal waterworks and street and road improvements, and are distributed to the Capital Projects Fund for the Water/Street Improvement Program.

Proceeds of a one percent sales and use tax, which was renewed on July 1, 2007, and is to run for ten years, are levied by the City of Westlake and collectible by the Sales Tax Fund, and distributed administratively for legally dedicated uses (without any required legal dedication of specified amounts to any particular use) as follows:

- A. An amount equal to .25 of one percent is transferred to the General Fund - Street Department.
- B. An amount equal to .05 of one percent is transferred to the General Fund - Police Department.

C. An amount equal to .35 of one percent is distributed to the General Fund - Fire Department.

D. An amount equal to .35 of one percent is distributed to the Water Works Enterprise Fund.

Proceeds of a one-half of one percent sales and use tax, which was renewed on October 1, 2007, and is to run for ten years, are levied by the City of Westlake and collectible by the Sales Tax Fund, are legally dedicated and distributed to the General Fund - Police Department for the operation and maintenance of the Westlake Police Department.

14) Pension Plan

Municipal Police Employees Retirement System

Plan Description:

The City of Westlake contributes to the Municipal Police Employees' Retirement System, a cost-sharing multiple employer plan administered by the Municipal and State Police Employees Retirement System of Louisiana. The Municipal Police Employees' Retirement System was established as of July 1, 1973, by Act 189 of 1973 and amended by RS 33:2371 of the 1986 session to become Municipal and State Police Retirement System of Louisiana. The System is a state retirement system that was created to provide retirement benefits for full time municipal police officers in Louisiana, and state police officers hired after January 1, 1987. The System is administered by a Board of Trustees of the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the Board. Historical trend information for this plan is included in the separately issued report for the Municipal Employees Retirement System for the period ended June 30, 2010.

Funding Policy:

Plan members are required to contribute 7.5% of their annual covered salary and the City of Westlake is required to contribute at a statutorily determined rate. The current rate is 25.0% of annual covered payroll. The contribution requirements of plan members and the City of Westlake are established and may be amended by the Board of Trustees. The City of Westlake's contributions to the Municipal Police Employees' Retirement System for the years ending June 30, 2011, 2010, and 2009 were \$187,839, \$78,061, and \$64,818, respectively, equal to the required contributions for each year.

Firefighters' Retirement System of the State of Louisiana

This system, which covers full-time fire department employees who are not members of other retirement systems, has the same contribution requirements and major benefits provisions as the Municipal Police Employees' Retirement System described above. Employees are required to contribute 8% of covered earnings, and the City is required to contribute an actuarially determined rate that is currently 21.5% of covered payroll.

The City of Westlake's contributions to the Firefighter's Retirement System for the years ended June 30, 2011, 2010 and 2009 were \$161,183, \$97,567 and \$80,317, respectively, which equal the required contributions for the years. The financial report for this system may be obtained from Firefighters' Retirement System, PO Box 94095, Capitol Station, Baton Rouge, LA 70804-9095.

Municipal Employees Retirement System

Plan Description:

The City of Westlake contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employees Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The City of Westlake is a member of plan "A" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employees Retirement System for the period ended June 30, 2010.

Funding Policy:

Plan members are required to contribute 9.25% of their annual covered salary and the City of Westlake is required to contribute at a statutorily determined rate. The current rate is 14.25% of annual covered payroll. The contribution requirements of plan members and the City of Westlake are established and may be amended by the Board of Trustees. The City of Westlake's contributions to the Municipal Employees' Retirement System of Louisiana for the years ending June 30, 2011, 2010, and 2009 were \$161,398, \$131,483, and \$127,020, respectively, equal to the required contributions for each year.

15) Litigation

The City has various threatened or pending lawsuits lodged against it. It is the opinion of legal counsel that all of the claims are adequately covered by the City's liability insurance or would result in minimal damages.

16) Cooperative Agreement

During the fiscal year ended June 30, 1996, the City entered into a cooperative agreement with the Calcasieu Parish Police Jury, whereby the City will receive \$270,000 per year. This payment is to provide funding to the City to offset the effects of the location of a river boat casino at a site known as the Burton Shell Yard. This amount will be paid evenly over four quarters each year as long as the owner of the river boat pays such amount to the Police Jury.

This obligated annual payment will stop at any time the City begins the levying or collection of a head or similar tax from a river boat berthed in the City, unless the City agrees to contribute an amount to the Police Jury equal to the \$270,000 from any proceeds it receives from any river boat berthed in the City.

The City Council has restricted these funds for use in Capital Projects only and not for operations of the City.

17) Rental Agreement

The City of Westlake and the United States Postal Service entered into an agreement to rent a newly constructed postal facility site developed by the City of Westlake on May 15, 1999 and ending May 14, 2013 for a total of 15 years. The annual rent for the facility is set at \$75,708, payable in monthly installments of \$6,309. The lease may be renewed at the option of the U.S. Postal Service for 2 five year terms at an annual rental of \$75,708.

18) Professional Service Agreement

The City has a professional service agreement with a third party to operate and manage the golf facilities for a term of 5 years after the operations phase of the contract commences. The agreement can be renewed for an additional 5 year term. The services rendered under the contract relate to the development phase (effective date until course opens for play) and the operations phase (beginning after the course opens for play). Under the agreement, the third party is to receive a base management fee and an incentive management fee. During development phase the base management fee is \$7,500 per month. Effective in accounting year 2011, and each subsequent year, the base management fee shall increase by 3%. The incentive management fee for the first full year of operations and each year throughout the term is 20% of net operating income in excess of the net operating income budgeted. The City is now in the operations phase.

19) Subsequent Events

In October of 2011, the City learned one of the gaming boats located in Westlake has intentions to sell and will leave the City. It is one of two boats from which the City receives gaming revenue. This will likely lead to a decrease in gaming revenue; however, the City is negotiating a phase out proposal regarding the loss of the gaming revenue. The City is also negotiating with the Parish to potentially join the area gaming revenue pool.

Subsequent to year end, a suit was filed against the City by a third party contractor for services performed during the cleanup of Hurricane Rita debris. The claims for recovery of \$300,751 are accrued as a payable in the general fund of the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

- **Budgetary comparisons**

CITY OF WESTLAKE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	2011			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Taxes and special assessments	\$ 1,409,300	\$ 1,409,300	\$ 1,407,624	\$ (1,676)
Licenses and permits	225,000	225,000	236,814	11,814
Intergovernmental	795,000	795,000	538,465	(256,535)
Charges for services	419,650	419,650	399,161	(20,489)
Fines and forfeits	210,000	210,000	191,885	(18,115)
Investment income	30,000	30,000	(31,191)	(61,191)
Miscellaneous income	68,500	68,500	511,416	442,916
Bingo revenues	14,000	14,000	2,738	(11,262)
Grant proceeds	322,200	322,200	1,893,411	1,571,211
Donations	7,800	7,800	6,517	(1,283)
Post office lease	75,708	75,708	75,708	-
Total revenues	<u>3,577,158</u>	<u>3,577,158</u>	<u>5,232,548</u>	<u>1,655,390</u>
Expenditures:				
Current:				
General government	842,310	842,310	1,075,791	(233,481)
Police	1,743,185	1,743,185	1,516,314	226,871
Fire	1,583,508	1,583,508	1,461,520	121,988
Streets	705,846	705,846	448,576	257,270
Sanitation	382,565	382,565	379,687	2,878
Cemeteries	12,300	12,300	11,822	478
Civil defense	10,325	10,325	8,613	1,712
Post office	8,500	8,500	12,826	(4,326)
Capital outlay	225,340	225,340	744,596	(519,256)
Total expenditures	<u>5,513,879</u>	<u>5,513,879</u>	<u>5,659,745</u>	<u>(145,866)</u>
(Deficiency) of revenue over expenditures	(1,936,721)	(1,936,721)	(427,197)	1,509,524
Other financing sources (uses):				
Operating transfers in	<u>2,032,000</u>	<u>2,032,000</u>	<u>603,272</u>	<u>(1,428,728)</u>
Excess of revenues and other sources over expenditures	95,279	95,279	176,075	80,796
Fund balance at beginning of year	<u>20,873</u>	<u>20,873</u>	<u>20,873</u>	-
Fund balance at end of year	<u>\$ 116,152</u>	<u>\$ 116,152</u>	<u>\$ 196,948</u>	<u>\$ 80,796</u>

See accompanying notes to financial statements

SUPPORTING SCHEDULE

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO MAYOR AND CITY COUNCIL MEMBERS
Years Ended June 30, 2011 and 2010

<u>Name and Title</u>	<u>Compensation</u>	
	<u>2011</u>	<u>2010</u>
Daniel W. Cupit, Mayor	\$ 62,376	\$ 60,737
Mr. Wally Anderson, Councilman, Mayor Pro-Tem	6,675	5,875
Mr. Daniel Racca, Councilman	4,805	4,055
Mr. Robert Hardy, Councilman	4,805	4,055
Mr. John Cradure, Councilman	4,340	3,900
Ms. Lori Peterson, Councilman	4,805	4,055

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Expenditures</u>
Environmental Protection Agency - Capitalization Grants for Drinking Water (ARRA)			
State Revolving Funds	66.468		<u>\$ 1,491,141</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WESTLAKE, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Westlake and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B. Department of Environmental Quality Loan

The Department of Environmental Quality (DEQ) Loan is a loan program through which the State of Louisiana receives federal money to then loan to municipalities to improve water treatment. The City of Westlake is receiving money from the State under the loan program. The City of Westlake entered into the loan agreement on March 1, 2003 for an amount not to exceed \$3,750,000. The DEQ loan disburses funds to the City of Westlake after the expenditure is made. Interest of 3.45% per annum on the outstanding balance is paid semi-annually. Principal and interest payments will be made semi-annually. At June 30, 2011, the principal balance is \$2,810,906 as disclosed in Note 8.

Note C. Environmental Protection Agency

The Environmental Protection Agency (EPA) provides a loan program through which the State of Louisiana receives federal money to loan to municipalities to improve water treatment. The City of Westlake is receiving money from the State under the loan program. The City of Westlake entered into the loan agreement on January 26, 2010 for \$2,900,000. The EPA forgave \$870,000 in principle, resulting in a loan balance of \$2,030,000. The EPA disburses funds to the City of Westlake after the expenditure is made. As of June 30, 2011, the City of Westlake has received \$716,845 in loan forgiveness. The current year loan forgiveness of \$670,840 is recorded as grant income in the capital projects fund. Current year loan proceeds of \$703,438 are recorded as long-term debt in the water fund. Interest of 2.95% per annum on the outstanding balance is paid semi-annually. Principle and interest payments will be made semi-annually. At June 30, 2011, the principle balance is \$1,950,000 as disclosed in Note 8.

COMPLIANCE, INTERNAL CONTROL REPORTS

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MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Daniel W. Cupit, Mayor
and City Council Members
Westlake, Louisiana

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana as of and for the year ended June 30, 2011, which comprise the City of Westlake, Louisiana's basic financial statements, and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Westlake, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Westlake's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Westlake, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (11-1 - 11-4)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Westlake, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under Government Auditing Standards.

The City of Westlake, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Westlake, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended for the information of the City, management, and the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

McElroy, Quirk & Burch

Lake Charles, Louisiana
December 29, 2011

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Daniel W. Cupit, Mayor
and City Council Members
Westlake, Louisiana

Compliance

We have audited the compliance of City of Westlake with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have been a direct and material effect on each of City of Westlake, Louisiana's major federal programs for the year ended June 30, 2011. City of Westlake, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Westlake, Louisiana's management. Our responsibility is to express an opinion on Westlake's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Westlake's compliance with those requirements and performing such other procedures

as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Westlake, Louisiana's compliance with those requirements.

In our opinion, the City of Westlake, Louisiana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City of Westlake, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Westlake, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Westlake, Louisiana's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

City of Westlake, Louisiana's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Westlake, Louisiana's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee, management, Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Burch

Lake Charles, Louisiana
December 29, 2011

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Control deficiencies identified not considered to be material weakness?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:	
Material weakness identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Control deficiencies identified not considered to be material weakness?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Environmental Protection Agency-Capitalization grants for drinking water state revolving funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

(continued on next page)

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

11-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: The City agrees with the findings. We are constantly evaluating duties, testing and implementing changes to compensate for the lack of segregation of duties. Due to our limited number of personnel, full segregation is not possible. In our ongoing and annual updates to our policy and procedures manual this is a consideration for each change or potential change. Additional review steps are planned for the near future in several areas as determined feasible. Recent changes in personnel and the reassignment of duties to various employees are expected to lead to improvements in the area".

11-2 Controls over Financial Reporting

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

(Continued)

Criteria: The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatements in financial statements could go undetected.

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible. The City has also engaged a CPA, who is not affiliated with the firm that conducts the City's annual audit, to assist with financial matters.

11-3 Fixed Asset Identification Tags

Condition: The City maintains a fixed asset register to account for all fixed assets purchased or donated to the City. All assets must be tagged with identification tags that are referenced by item and location. Our review indicated that while the tagging of fixed assets had been started by the City, not all departments had been completed as of June 30, 2011.

Criteria: All assets must be accounted for and identified in order to safeguard City property.

Effect: Assets not properly identified and accounted for are subject to theft or possible abuse.

Recommendation: The City should perform a complete inventory of all fixed assets and determine which assets have not been properly tagged and accounted for.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011
(Continued)

Response: The City agrees with this finding. The City started an inventory process to insure that all assets are properly identified and accounted for. The City has a plan in place to continue the inventory process that will cover additional departments for the year ended June 30, 2012.

11-4 Reconciling the Investment Schedules

Condition: The City maintains an investment schedule to track investments; however, the schedule was not reconciled to the general ledger, causing a material misstatement to the financial statements prior to audit adjustment.

Criteria: The investment schedule should be reconciled to the general ledger on a monthly basis.

Effect: Not reconciling the investment schedule to the general ledger can cause a material misstatement to the financial statements.

Recommendation: The City should reconcile the investment schedule to the general ledger on a monthly basis.

Response: The City agrees with this finding. The City will begin reconciling the investment schedule to the general ledger on a monthly basis.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS
June 30, 2011

10-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: See current year finding 11-1.

10-2 Controls over Financial Reporting

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Current status: See current year finding 11-2.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2011

(Continued)

10-3 Policy and Procedure Manual Update

Condition: The policy and procedure manual is required by City policy to be updated on a periodic basis.

Recommendation: Management should review the existing policy and procedure manual and modify those sections which have changed in the past several years.

Current status: This issue was resolved during the year ended June 30, 2011.

10-4 Fixed Asset Identification Tags

Condition: The City maintains a fixed asset register to account for all fixed assets purchased or donated to the City. All assets must be tagged with identification tags that are referenced by item and location. Our review indicated that not all fixed assets are being tagged.

Recommendation: The City should perform a complete inventory of all fixed assets and determine which assets have not been properly tagged and accounted for.

Current status: See current year finding 11-4.

10-5 Golf Course Management Contract

Condition: The City has executed a management agreement with a company to manage the newly constructed golf course in the City. Management needs to carefully review this contract to insure that it is in compliance with all applicable federal and state laws and regulations.

Recommendation: It is recommended that the City carefully review the management contract to insure that all applicable federal and state laws and regulations are being properly addressed.

Current status: This issue was resolved during the year ended June 30, 2011.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

Year Ended June 30, 2011

(Continued)

10-6 CFDA #20.205 Department of Transportation-Highway Planning and Construction

Condition: Adequate internal control did not exist to insure that grant forms required to be submitted for funding were complete and accurate. During our review of the grant submissions we noted that amounts used for grant requests did not agree with amounts paid to the contractor. Grant expenditures posted to the general ledger did not agree with grant requests for reimbursements because a separate altered check was being submitted to the grantor. The differences between the amounts were due to the fact that the City paid the contractor for change order amounts prior to their approval by the State. Therefore, amounts requested from the grantor did not include unapproved change orders but amounts paid to the contractor did. Subsequently, the City requested reimbursement for the change orders once approved to reconcile the total payments made to the contractor and the amounts reimbursed by the grantor. It does appear that all amounts requested for reimbursement were proper and support exists for all amounts paid to the contractor, but the reporting package submitted was not reflecting the actual copies of checks used to pay the contractor.

We also noted that grant submissions were not continuous from beginning to end, as amounts reported on a subsequent report either overlapped a prior submission or created an unexplained gap between submissions. However, the amount that would be submitted for current reimbursement did appear to be correct.

Recommendation: Policies need to be created and procedures put in place to ensure adequate internal controls and monitoring of the grant reporting requirements are implemented and followed.

Response: This issue was resolved during the year ended June 30, 2011.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2011

(Continued)

10-7 CFDA #20.205 Department of Transportation-Highway Planning and Construction

Condition: The City did not have adequate internal controls and monitoring over the reporting of the grant program.

Recommendation: Policies need to be created and procedures put in place to insure adequate internal controls and monitoring of the grant reporting requirements are implemented and followed.

Response: This issue was resolved during the year ended June 30, 2011.

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